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C O N F I D E N T I A L SECTION 01 OF 02 KUWAIT 003270

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E.O. 12958: DECL: 07/24/2015

TAGS: [EPET](#) [ENRG](#) [PINR](#) [BEXP](#) [KU](#) [IR](#) [IZ](#) [OIL](#) [SECTOR](#)

SUBJECT: KOC GAS CHIEF LOOKS FOR HELP IN AVOIDING  
KUWAIT-IRAN GAS DEAL

REF: A. KUWAIT 1496

[B](#). KUWAIT 943

[C](#). KUWAIT 1884

Classified By: CDA Matthew Tueller for reasons 1.4 (b) and (d)

[1](#)1. (C) Summary: At a July 23 meeting, Kuwait Oil Company (KOC) Gas Management Group Manager Mohammad Al-Otaibi told Econ Officer that Iran was "very eager" to have Kuwait sign an agreement to import gas from Iran, but that the GOK was still weighing its options. He asked for any assistance that the USG could provide in urging the Kingdom of Saudi Arabia to drop its opposition to the proposed Qatar-Kuwait gas pipeline, which he described as a much better alternative to the Iran pipeline, both politically and financially. He said that resolution of drilling rights in the disputed offshore Al-Durra gas field would also have to be resolved between Kuwait, Iran and the KSA, but that he didn't think it would be resolved "anytime soon." He said that he would be meeting later that day with representatives of the Iraqi Oil Ministry to iron out details of the proposed Iraq-Kuwait gas pipeline, but that the Iraqis did not have a lot of confidence in the security or functionality of the existing pipeline. He said that Kuwait was also exploring various options for bringing gasoline from Kuwait to Iraq via pipeline, instead of the problematic trucking options currently being used. End Summary.

Iran "Eager" to Sell Gas, but GOK Looking for Other Options  
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[1](#)2. (C) At a July 23 meeting, Kuwait Oil Company (KOC) Gas Management Group Manager Mohammad Al-Otaibi told Econ Officer that Iran was "very eager" to have Kuwait sign an agreement to import gas from Iran, but that the GOK was still weighing its options (Refs A and B). He explained that the planned 25-year, \$7 billion deal was not as settled as previous news accounts had portrayed (Ref C), and that he was actively trying to recommend against the Iran deal. He said that "it would be much better to deal with the Qataris" for gas, and that any deal with the Iranians was fraught with "political problems." He asked for any help the USG could provide in convincing the KSA to allow construction of the Qatar - Kuwait pipeline through the KSA's waters.

[1](#)3. (C) Al-Otaibi noted that the gas pipeline deal was also linked, politically, to resolution of the dispute over drilling rights in the offshore Al-Durra oil and gas field. He said that Iran was already drilling for oil in the area and was "flaring off the gas" from the field. He said that he did not think the offshore border demarcation and drilling rights issue would be resolved, but that any hope for resolution lay in positioning it as an environmental issue instead of a political one. Showing the Iranians that flaring off the gas rather than capturing it for use was medically damaging to the children of Iran and Kuwait, Al-Otaibi said, might bring resolution on the issue, but he was not hopeful.

[1](#)4. (C) Al-Otaibi said that he has gone to Iran many times to discuss oil and gas projects, and went most recently in early July to discuss the gas pipeline deal. He told of meeting ordinary Iranians on the street who he described as "hungry for change" and told of one Sunni taxi driver who asked "when will Imam Bush come to liberate" Iran.

Qatar Gas Deal Still Held Up By KSA  
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[1](#)5. (C) Al-Otaibi was very eager to see the commencement of the Qatar - Kuwait pipeline project, and said that Saudi Arabia's opposition to the deal was the only thing blocking it. "The problem is policy," he said, "not financial, logistic or anything else." He said that a contact of his in Saudi Arabia told him that the Saudi Minister of Defense was one of those holding up the project, and he again asked for USG support in convincing the Saudis to drop their opposition. Al-Otaibi said that a pipeline from Qatar to Kuwait would be in everyone's benefit, including Saudi Arabia's, and that it was only the beginning of a much larger

gas pipeline project. He said that the pipeline could then be extended from Kuwait to Iraq, then on to Turkey and Europe, as part of a larger fifty-year strategy for gas delivery. He said that he specifically saw a "tremendous opportunity" for ExxonMobil in the Qatar-Kuwait pipeline project, and that the French company Total was ExxonMobil's chief competitor in this regard.

16. (C) Bechtel has already completed a study on the Qatar - Kuwait gas pipeline, Al-Otaibi explained, and the 540 kilometer pipeline is expected to take two years to build. According to Al-Otaibi, in the absence of a timely approval by Saudi Arabia to build the pipeline through the KSA's waters, another option was being considered. This would involve building a pipeline from Qatar to the Iranian port of Assaluyeh then on to Ganaveh, then to Kuwait. It would still be Qatari gas, which Al-Otaibi described as being of better quality than Iranian gas, but Iran would get some financial remuneration for the pipeline traversing its territory. While this would avoid Saudi Arabian waters, Al-Otaibi considered this a long-shot option.

#### Iraq Gas Deal Almost Complete

17. (C) Al-Otaibi said he would be meeting later that day with representatives of the Iraqi Oil Ministry to iron out details of the proposed Iraq-Kuwait gas pipeline (Ref B). The deal was ready to be finalized, he said, and within one to three months he hoped to see the commencement of the first phase of the project. He said that the Iraqis did not have a lot of confidence in the security or functionality of the existing pipeline, and had "been using the local tribes to guard the pipeline." While noting that the amount of gas to be imported from Iraq was not much compared with the amounts discussed in the Qatari and Iranian deals, Al-Otaibi explained that the Iraqi gas was particularly good for the petrochemical production process and would be used primarily towards that end in Kuwait's growing petrochemical sector.

18. (C) Turning his attention to the supply of gasoline from Kuwait to Iraq, Al-Otaibi said that there were "many problems" with the system of trucking gasoline to Iraq and that "better monitoring systems were needed." He said that the two sides were exploring the use of pipelines to bring gasoline from Kuwait to Iraq, but that use of the existing pipelines "was not realistic" and that new pipelines would be needed.

#### Bio Data

19. (C) Mohammed Al-Otaibi is about 45 years old and speaks good English. He is an up-and-comer in the Kuwaiti oil industry, and will likely have a leading role in any future gas subsidiary of the Kuwait Petroleum Corporation. He travels frequently and has good relations with the top executives of KPC and the Minister of Energy. He has traveled frequently to Iran as part of Kuwait's gas negotiations with Iran and is happy to tell "people-on-the-street" stories about his travels to Iran and conversations with regular Iranians. He attends certain diwanis which are frequented by many conservative Islamists and speaks openly about the need for more dialogue between liberals and conservatives. He is married with two young children, and has plans to vacation in the United States in the summer of 2005, "to take (the) children to DisneyWorld."

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